



FIXING A BROKEN BUDGET SYSTEM

The Governor has laid out an ambitious reform agenda that will end the cycle of budget crisis after budget crisis.

Under the current budget system, California is always at risk of spending more than it takes in.

Until the system is reformed, we will continue to see deficits that will impair our economic recovery.

The Governor's Spending Control Proposal contains reforms that

1. Stop auto-pilot formulas from allowing spending to out-pace revenues.
2. Require greater budget discipline.

A SYSTEM PROGRAMMED FOR DEFICITS

- This year, California took in more than \$5 billion more in general fund revenues than last year.
- Autopilot formulas within the budget system, however, require that we spend over \$10 billion more.
- This is a spending problem, not a revenue problem.
- The Governor's budget proposal holds spending in line with revenues. But without changing the state budget process, California will continue to face multi-billion-dollar deficits in future years.

THE GOVERNOR’S SPENDING CONTROL PROPOSAL

1. Cuts spending when expenditures outpace revenues.
2. Prevents spending from automatically growing in the absence of a budget.
3. Blocks borrowing from special funds to cover general fund obligations.
4. Closes off the state’s ability to borrow from K-14 schools (Proposition 98) and transportation (Proposition 42), as well as from special funds.
5. Requires accounts with unpaid debts and no scheduled repayment to be repaid over a period of no more than 15 years.

GREATER BUDGET DISCIPLINE

Despite the constitutional requirement to send the Governor a budget by June 15th, the **Legislature has failed to meet that requirement for the past 18 years.**

According to the Spending Control Proposal

If an enacted budget is not in place by July 1 , then... ↓	If a budget <i>is</i> in place but spending is on a track to grow faster than revenues , then... ↓
...the Governor will call an immediate Special Session of the Legislature to close the spending gap. ↓	...the Governor will call an immediate Special Session of the Legislature to close the spending gap. ↓
If an approach to close the gap is not agreed upon within 30 days , the State Controller will implement an immediate across-the-board reduction in all state payments.	If an approach to close the gap is not agreed upon within 45 days , the State Controller will implement an immediate across-the-board reduction in all state payments.